



UMUZIWABANTU MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2007

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 29 in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 20 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

S D Mbhele
Municipal Manager

Date

UMUZIWABANTU MUNICIPALITY

INDEX

PAGE

General Information	1
Statement of Financial Position	2
Statement of Financial Performance	3
Statement of Changes in Net Assets	4
Cash Flow Statement	5
Accounting Policies	6-12
Notes to the Annual Financial Statements	13-22
Appendix A: Schedule of External loans	23
Appendix B: Analysis of Property, Plant and Equipment	24
Appendix C: Segmental Analysis of Property, Plant and Equipment	25
Appendix D: Segmental Statement of Financial Performance	26
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	27
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	28
Appendix F: Disclosures of Grants and Subsidies in Terms of the Municipal Finance Management Act	29

**UMUZIWABANTU MUNICIPALITY
GENERAL INFORMATION
YEAR ENDED 30 JUNE 2007**

COUNCIL MEMBERS

WM Memela	(Mayor)
JS Ncwane	(Deputy Mayor)
ZR Mbuthuma	(Speaker)
NB Dlamini	(Exco Member)
WM Memela	(District Council Representative)
SO Njongo	(District Council Representative)

GRADING OF MUNICIPALITY

Grade 4

AUDITORS

Auditor General

BANKERS

First National Bank of South Africa Limited

REGISTERED OFFICE

Main Street
HARDING

MUNICIPAL MANAGER

S D Mbhele

CHIEF FINANCIAL OFFICER

G L Ruthan

UMUZIWABANTU MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

	Note	2007 R	2006 R
NET ASSETS AND LIABILITIES			
Net assets		91 270 235	77 401 609
Housing Development Fund	1	3 628 798	3 394 670
Capital replacement reserve		8 356 059	7 570 739
Capitalisation reserve		4 695 213	5 078 258
Government grant reserve		12 618 991	11 187 165
Donations and public contributions reserve		162 575	162 688
Revaluation reserve		31 843 502	27 842 837
Accumulated Surplus		29 965 097	22 165 252
Non- current liabilities			
Long -term liabilities	2	647 280	780 541
Current liabilities		13 030 796	9 028 838
Consumer deposits	3	484 828	459 670
Creditors	4	4 022 878	2 119 107
Unspent grants and receipts	5	8 389 828	6 335 859
Current portion of long - term liabilities	2	133 262	114 202
Total Net Assets and Liabilities		104 948 311	87 210 988
ASSETS			
Non-current assets		71 539 934	60 593 999
Property,plant and equipment	8	55 672 855	49 433 405
Investments	9	10 799	10 799
Long-term receivables	10	15 856 280	11 149 795
Current assets		33 408 377	26 616 989
Inventory	11	60 981	110 602
Consumer debtors	12	7 699 069	5 941 220
Other debtors	13	1 319 222	1 628 393
VAT	6	169 837	167 290
Call investment deposits	14	22 833 987	17 441 269
Bank balance	7	1 325 131	1 327 520
Cash	7	150	695
Total Assets		104 948 311	87 210 988

UMUZIWABANTU MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2007

Budget 2006 R	Budget 2007 R		Note	Actual 2007 R	Actual 2006 R
REVENUE					
3 462 000	3 635 000	Property rates	15	3 534 696	3 502 266
585 000	750 000	Property rates-penalties and charges		810 079	699 131
6 950 000	7 269 450	Service charges	16	7 952 800	7 299 355
132 000	167 000	Rental on facilities and equipment		123 652	105 251
1 077 000	1 080 000	Interest earned-external investments		897 177	1 160 471
251 000	251 200	Fines		51 343	31 391
1 352 500	1 350 000	Licences and permits		900 808	873 878
14 567 700	20 613 100	Government grants and subsidies	17	29 718 281	17 450 715
		Capital grants	17	2 000 956	1 213 372
322 800	324 250	Other Income	18	5 167 184	1 524 872
28 700 000	35 440 000	Total Revenue		51 156 976	33 860 702
EXPENDITURE					
11 565 520	12 287 600	Employee related costs	19	11 100 667	9 846 853
1 460 000	4 514 900	Remuneration of Councillors	20	3 540 760	997 635
5 600	6 000	Bad debts		365 585	827 739
-	1 596 300	Depreciation		1 664 376	1 551 557
1 943 400	2 776 500	Repairs and maintenance		2 056 131	1 386 411
184 100	258 000	Interest paid	21	140 833	157 455
4 955 000	4 753 000	Bulk purchases	22	4 727 787	4 278 204
1 030 000	1 990 000	Contracted services		1 559 728	1 423 248
25 000	-	Grants paid		-	11 270
6 337 300	7 257 700	General expenses		5 393 573	6 326 392
-	-	Housing Projects expenditure	17	11 535 830	2 526 077
27 505 920	35 440 000	Total Expenditure		42 085 270	29 332 841
1 194 080	-	SURPLUS		9 071 706	4 527 861
CHANGE IN ACCOUNTING POLICY					
(1 194 080)	-	Implementation of GAMAP		-	-
-	-	SURPLUS FOR THE YEAR		9 071 706	4 527 861
Refer to Appendix E (1) for explanation of variances					

UMUZIWABANTU MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Donations and Public Contribution Reserve	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R
Balance at 30 June 2005	3 457 988	6 999 832	5 473 671	10 505 657	175 931	27 842 837	17 173 224	71 629 140
2006								
Surplus for the year							4 527 861	4 527 861
Net operating income	1 283							1 283
Depreciation for the year	(112 871)							(112 871)
Contribution to Capital Replacement Reserve		1 335 000					(1 335 000)	-
Property, plant and equipment purchased		(764 093)					764 093	-
Capital grants used to purchase PPE				1 213 372			(1 213 372)	-
Offsetting of depreciation								
- transfer to Accumulated Surplus			(395 413)	(483 594)	(13 243)		892 250	-
- transfer to Housing Development Fund	48 270			(48 270)				-
Adjustment for para 3.4 of 2005 Audit Report							1 356 196	1 356 196
- raising UGU debtor								
Balance at 30 June 2006	3 394 670	7 570 739	5 078 258	11 187 165	162 688	27 842 837	22 165 252	77 401 609
2007								
Surplus for the year							9 071 706	9 071 706
Interest on external investments	298 729	600 397						899 126
Increase in plantation inventories						4 000 665		4 000 665
Receipt					10 000			10 000
Depreciation for the year	(112 871)							(112 871)
Contribution to Capital Replacement Reserve		2 200 000					(2 200 000)	-
Property, plant and equipment purchased		(2 015 077)					2 015 077	-
Capital grants used to purchase PPE				2 000 956			(2 000 956)	-
Offsetting of depreciation								
- transfer to Accumulated Surplus			(383 045)	(520 860)	(10 113)		914 018	-
- transfer to Housing Development Fund	48 270			(48 270)				-
Balance at 30 June 2007	3 628 798	8 356 059	4 695 213	12 618 991	162 575	31 843 502	29 965 097	91 270 235

UMUZIWABANTU MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and others		43 134 753	30 873 687
Cash paid to suppliers and employees		(30 588 878)	(25 980 759)
Cash generated from operations	23	12 545 875	4 892 928
Interest received		1 796 302	1 160 471
Interest paid		(140 833)	(157 455)
NET CASH FROM OPERATING ACTIVITIES		14 201 344	5 895 944
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4 016 032)	(1 977 465)
(Increase) in long - term receivables		(4 706 485)	(1 452 178)
(Increase) in call investment deposits		(5 392 718)	(510 987)
NET CASH FROM INVESTING ACTIVITIES		(14 115 235)	(3 940 630)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans (repaid)		(114 201)	(97 579)
Increase/(decrease) in consumer deposits		25 158	39 797
NET CASH FROM FINANCING ACTIVITIES		(89 043)	(57 782)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(2 934)	1 897 532
Cash and cash equivalents at the beginning of the year	24	1 328 215	(569 317)
Cash and cash equivalents at the end of the year	24	1 325 281	1 328 215

**UMUZIWABANTU MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

These standards are summarised as follows :

GRAP 1 : Presentation of financial statements

GRAP 2 : Cash flow statements

GRAP 3 : Accounting policies, changes in accounting estimates and errors

GAMAP 4 : Effects of changes in foreign exchange rates

GAMAP 9 : Revenue

GAMAP 7 : Accounting for investments in associates

GAMAP 8 : Financial reporting of interests in joint ventures

GAMAP12 : Inventories

GAMAP17 : Property, plant and equipment

GAMAP19 : Provisions, contingent liabilities and contingent assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007 - Gazette 30013 - exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements. A summary of the significant accounting policies, which have been consistently applied, except where an exemption has been granted, are disclosed below.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. RESERVES

4.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from accumulated surplus/deficit to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or investment account.

The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/deficit is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

**UMUZIWABANTU MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

4.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/deficit in terms of a directive issued by National Treasury.

The purpose of this Reserve is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

4.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to accumulated surplus/(deficit).

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

4.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

**UMUZIWABANTU MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

4.5 Revaluation Reserve

The surplus arising from the revaluation of land is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost less accumulated depreciation, except land, which is revalued as indicated below.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

Infrastructure	Years	Other	Years
Roads and Paving	10	Buildings	30
Taxi Ranks	20	Vehicles	5
		Disaster Management	2-10
Community		Office equipment	2-10
Buildings	30	Furniture and fittings	2-10
Refuse Dump	20	Plant and equipment	2-15

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and carrying value and is recognised in the Statement of Financial Performance.

In 2005/2006 the requirements of GAMAP 17 and IAS 36 were not complied with as follows :

- Review of useful life of items of property, plant and equipment recognised in the annual financial statements
- Review of depreciation method applied to property, plant and equipment recognised in the annual financial statements
- Testing for and impairing any items of property, plant and equipment recognised in the annual financial statements

In 2006/2007 these requirements have also not been complied with due to the exemption granted in Gazette 30013 (see note 1).

6. REVALUATION OF LAND

Land is stated at the values reflected in the valuation roll. The effective date of the last revaluation was 1 January 1999.

7. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

8. ACCOUNTS RECEIVABLE AND CREDITORS

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end.

Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

Trade creditors are stated at their nominal value.

**UMUZIWABANTU MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

9. FINANCIAL INSTRUMENTS

In 2005/2006 the requirements of IAS 39 were not complied with in that financial assets and financial liabilities were not measured at fair value. In addition the disclosure requirements of IAS 32 were not complied with.

In 2006/2007 these requirements have also not been complied with due to the exemption granted in Gazette 30013 (see note 1).

10. REVENUE RECOGNITION

In 2005/2006 revenue was recognised at cost, and no interest was recognised as a result of any time value of money adjustments.

This policy has been followed in 2006/2007 due to the exemption granted in Gazette 30013 (see note 1).

10.1 Revenue from Exchange Transactions

Service charges relating to refuse removal are raised by means of a rate, and the rate is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividends.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Where public contributions have been received but the Municipality not met the condition, a liability is recognised.

10.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises.

Collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on the time proportion basis.

Fines constitute both spot fines and summonses.

Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment when such items of property, plant and equipment are brought into use.

**UMUZIWABANTU MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

REVENUE RECOGNITION (continued)

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

11. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions and obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

12. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

13. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

**UMUZIWABANTU MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

14. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

15. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003) the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. COMPARATIVE INFORMATION

17.1 Current year comparatives:

Budgeted amounts have been included in the annual statements for the current financial year only.

17.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

18. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

19. INVESTMENTS

Financial instruments, which include short-term deposits invested in recognised commercial banks, are stated at cost.
See also note 9.

**UMUZIWABANTU MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

20. LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

In 2005/2006 lease expenditure was recognised in accordance with the actual cash outflows. This policy has continued in 2006/207 due to the exemption granted in Gazette 30013 (see note 1).

21. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

22. HOUSING DEVELOPMENT FUND

The Housing Development Fund is mostly cash-backed and is dedicated to housing needs. The cash was generated by the sale of plots some years ago, and expenditure thereof is subject to approval of the Housing Board.

23. AFFORESTATION

Operating and other details are provided in note 29 to the financial statements. The operating profit of the Afforestation Scheme is accounted for annually and accumulated profits, less any portion thereof received from the Scheme, are represented by the long-term debtor. The land is disclosed at latest valuation roll values, and the plantations are revalued annually at insurance values with both land and plantation revaluation increases disclosed as a revaluation reserve.

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
1. HOUSING DEVELOPMENT FUND		
Housing Development Fund	<u>3 628 798</u>	<u>3 394 670</u>
The Housing development fund is represented by the following assets and liabilities		
- Property, plant and equipment (see note 8)	31 675	32 767
- Housing rental debtors (see note 13)	50 376	50 465
- Cash resources	<u>3 690 184</u>	<u>3 334 025</u>
Sub- total	3 772 235	3 417 257
- Creditors (see note 4)	<u>(143 437)</u>	<u>(22 587)</u>
Total Housing Development Fund Assets and Liabilities	<u>3 628 798</u>	<u>3 394 670</u>
2. LONG -TERM LIABILITIES		
Annuity Loans	780 542	894 743
Less: Current portion transferred to current liabilities	<u>(133 262)</u>	<u>(114 202)</u>
Total External Loans	<u>647 280</u>	<u>780 541</u>
Refer to Appendix A for more detail on long -term liabilities. Financial liabilities have not been measured at fair value due to the application of an exemption granted in Gazette 30013.		
3. CONSUMER DEPOSITS		
Electricity	<u>484 828</u>	<u>459 670</u>
Financial liabilities have not been measured at fair value due to the application of an exemption granted in Gazette 30013.		
4. CREDITORS		
Trade creditors	2 340 545	1 009 917
Housing creditors	143 437	22 587
Staff leave	805 510	830 257
Other creditors	<u>733 386</u>	<u>256 346</u>
Total creditors	<u>4 022 878</u>	<u>2 119 107</u>
Financial liabilities have not been measured at fair value due to the application of an exemption granted in Gazette 30013.		

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
5. UNSPENT GRANTS AND RECEIPTS		
5.1 Conditional grants from other spheres of Government		
Specific Projects (see note 17)	6 760 306	4 189 247
Housing Projects (see note 17)	-	517 090
5.2 Unconditional grant		
Equitable Share (see note 17)	1 629 523	1 629 522
Total unspent Grants and Receipts	8 389 829	6 335 859

See Note 17 for reconciliation of grants from other spheres of government.
These amounts are invested in ring-fenced investments until utilised.
Financial liabilities have not been measured at fair value due to the application of an exemption granted in Gazette 30013.

6. VAT		
VAT receivable	169 837	167 290

VAT is payable on the invoice basis.
Financial assets have not been measured at fair value due to the application of an exemption granted in Gazette 30013.

7. BANK BALANCES AND CASH

7.1 The Municipality has the following bank account:

Current Account (Primary Bank Account)

First National Bank-Harding

Account Number - 52401817550

Cash Book balance at beginning of year

Cash Book balance at end of year

Bank Statement balance at beginning of year

Bank Statement balance at end of year

Cash Book balance at end of year

7.2 Cash balances

Financial assets have not been measured at fair value due to the application of an exemption granted in Gazette 30013.

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

**8. PROPERTY, PLANT AND EQUIPMENT
30 JUNE 2007**

Reconciliation of Carrying Value	<u>Land and Buildings</u>	<u>Infrastruc- ture</u>	<u>Community</u>	<u>Other</u>	<u>Total</u>
	R	R	R	R	R
Carrying values at 1 July 2006	21 497 320	8 608 863	15 215 352	4 111 870	49 433 405
Cost	6 145 056	13 682 598	6 153 012	6 803 154	32 783 820
Revaluation	17 633 000	-	10 209 838	-	27 842 838
Accumulated depreciation	2 280 736	5 073 735	1 147 498	2 691 284	11 193 253
- Cost	2 280 736	5 073 735	1 147 498	2 691 284	11 193 253
- Revaluation	-	-	-	-	-
Acquisitions	371 230	2 083 218	423 717	1 137 867	4 016 032
Adjustments			4 000 665		4 000 665
Depreciation	228 003	469 864	320 781	758 599	1 777 247
Carrying value of disposals					
Cost/revaluation					
Accumulated depreciation					
Carrying values at 30 June 2007	21 640 547	10 222 217	19 318 953	4 491 138	55 672 855
Cost	6 516 286	15 765 816	10 577 394	7 941 021	40 800 517
Revaluation	17 633 000		10 209 838		27 842 838
Accumulated depreciation	2 508 739	5 543 599	1 468 279	3 449 883	12 970 500
- Cost	2 508 739	5 543 599	1 468 279	3 449 883	12 970 500
- Revaluation	-	-	-	-	-

Land is stated at the values reflected in the valuation roll.
The effective date of the last revaluation was 1 January 1999.

Refer to Appendix B for more detail on property, plant and equipment.

The municipality did not review the useful life or the depreciation method used on, and did not test and account for impairment of, the assets recognised in the annual financial statements for the 2006/2007 financial year.

This is due to the exemption granted in Gazette 30013 (see accounting policy note 1).

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

8. PROPERTY, PLANT AND EQUIPMENT (continued)
30 JUNE 2006

Reconciliation of Carrying Value	<u>Land and Buildings</u>	<u>Infrastructure</u>	<u>Community</u>	<u>Other</u>	<u>Total</u>
	R	R	R	R	R
Carrying values at 1 July 2005	20 474 021	8 748 848	15 496 931	4 400 568	49 120 368
Cost	4 931 684	13 380 904	6 123 446	6 370 321	30 806 355
Revaluation	17 633 000	-	10 209 838	-	27 842 838
Accumulated depreciation	2 090 663	4 632 056	836 353	1 969 753	9 528 825
- Cost	2 090 663	4 632 056	836 353	1 969 753	9 528 825
- Revaluation	-	-	-	-	-
Acquisitions	1 213 372	301 694	29 566	432 833	1 977 465
Adjustments					0
Depreciation	190 073	441 679	311 145	721 531	1 664 428
Carrying value of disposals					
Cost/revaluation					
Accumulated depreciation					
Carrying values at 30 June 2006	21 497 320	8 608 863	15 215 352	4 111 870	49 433 405
Cost	6 145 056	13 682 598	6 153 012	6 803 154	32 783 820
Revaluation	17 633 000	-	10 209 838	-	27 842 838
Accumulated depreciation	2 280 736	5 073 735	1 147 498	2 691 284	11 193 253
- Cost	2 280 736	5 073 735	1 147 498	2 691 284	11 193 253
- Revaluation	-	-	-	-	-

Land is stated at the values reflected in the valuation roll.

The effective date of the last revaluation was 1 January 1999.

Refer to Appendix B for more detail on property, plant and equipment

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
9. INVESTMENTS		
Unlisted:		
Shares	10 799	10 799
Management's valuation of unlisted investments	10 799	10 799
10. LONG -TERM RECEIVABLES		
Forestry deferred profit	15 856 280	11 149 795
Financial assets have not been measured at fair value due to the application of an exemption granted in Gazette 30013.		
11. INVENTORY		
Consumable stores	60 981	110 602
12. CONSUMER DEBTORS		
Service debtors		
Rates	6 275 457	4 936 769
Refuse	506 602	308 294
Water debtors suspense	0	96 760
Electricity	1 764 884	1 438 112
Sundry	705 426	524 165
	9 252 369	7 304 100
Less: Provision for bad debts	(1 553 300)	(1 362 880)
Total	7 699 069	5 941 220
The debtors system does not cater for		
- ageing of consumer debtors		
- customer classification of debtors		
Financial assets have not been measured at fair value due to the application of an exemption granted in Gazette 30013.		
13. OTHER DEBTORS		
Ugu District Municipality	1 256 937	1 256 937
Stolen monies control account	175 165	175 165
Sundry	9 568	141 935
Salaries control	2 341	3 891
Housing rental debtors	50 376	50 465
	1 494 387	1 628 393
Less: Provision for bad debts	(175 165)	-
Total Other Debtors	1 319 222	1 628 393
Financial assets have not been measured at fair value due to the application of an exemption granted in Gazette 30013.		
14. CALL INVESTMENT DEPOSITS		
Other deposits	22 833 987	17 441 269
Deposits of R 7,927,179 (2006 : R 7,616,423) will be ring-fenced and attributable to the Capital Replacement Reserve.		
Further deposits of R 9,217,965 (2006 : R 4,706,337) have also been ring-fenced to cover unspent conditional grants and receipts.		
Financial assets have not been measured at fair value due to the application of an exemption granted in Gazette 30013.		

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
15. PROPERTY RATES		
<u>Actual</u>		
Residential	1 210 707	1 311 694
Commercial and Industrial	1 757 094	1 601 911
State	566 895	588 661
Total Assessment Rates	3 534 696	3 502 266
<u>Valuations</u>		
Residential	94 004 800	97 284 000
Commercial and Industrial	63 442 000	62 183 000
State	14 903 000	14 566 000
Total Property Valuations	172 349 800	174 033 000
<p>Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 January 1999. Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions. Different rate randages for Domestic, Commercial, Industrial and State properties are applied to property valuations to determine assessment rates. Rates are levied annually. Interest at 18% per annum is levied on outstanding rates, as well as a 10% collection charge two months after final date for payment.</p>		
16. SERVICE CHARGES		
Sale of electricity	7 178 442	6 588 289
Refuse removal	774 358	711 066
Sundry charges	-	-
Total Service Charges	7 952 800	7 299 355
17. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	16 373 817	13 381 698
Specific projects	1 176 782	1 004 734
Housing projects	11 535 830	2 526 077
Health subsidies relating to the Clinic	631 852	538 206
Capital grants	29 718 281	17 450 715
	2 000 956	1 213 372
Total Government Grants and Subsidies	31 719 237	18 664 087
17.1 Equitable share		
Unspent at beginning of year	1 629 522	820 353
Current year receipts	16 438 973	14 215 865
Allocated to Housing revenue	(65 155)	(24 998)
Conditions met - transferred to revenue	(16 373 817)	(13 381 698)
Unspent at end of the year (see note 5)	1 629 523	1 629 522
17.2 Specific projects		
Unspent at beginning of year	4 189 247	4 433 684
Current year receipts	6 380 649	2 511 875
Capital expenditure funded - transferred to revenue	(2 000 956)	(1 213 372)
Conditions met - transferred to revenue	(1 176 782)	(1 004 734)
Health subsidies relating to the Clinic	(631 852)	(538 206)
Conditions still to be met - transferred to liabilities (see note5)	6 760 306	4 189 247
17.3 Housing projects		
Unspent at beginning of year	517 090	-
Current year receipts	11 018 739	3 043 167
Conditions met - transferred to revenue and expenditure	(11 535 829)	(2 526 077)
Conditions still to be met - transferred to liabilities (see note5)	-	517 090
17.4 Changes in levels of government grants		
<p>Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forth coming 3 financial years.</p>		

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
18. OTHER INCOME		
Sale of timber	4 975 916	1 444 672
Other income	191 268	80 200
Total Other Income	5 167 184	1 524 872
19. EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	8 136 602	7 043 324
Employee related costs - Contributions to UIF,pensions and medical aid	1 631 838	1 559 519
Travel, motor car, accommodation, subsistence, housing and other allowances	343 838	548 564
Uniforms and protective clothing	80 828	44 929
Overtime payments	907 561	650 516
Performance bonus	-	-
Total Employee Related Costs	11 100 667	9 846 852
There were no advances to employees.		
Remuneration of the Municipal Manager		
Annual Remuneration	361 152	304 713
Bonus	-	33 600
Car Allowance	74 000	96 000
Other Allowances	4 929	13 193
Contributions to UIF,Medical and Pension Funds	17 645	113 369
Total	457 726	560 875
Remuneration of the Chief Finance Officer		
Annual Remuneration	262 700	231 956
Bonus	-	20 851
Car Allowance	71 009	60 102
Other Allowances	4 471	18 276
Contributions to UIF,Medical and Pension Funds	19 035	67 612
Total	357 215	398 797
Remuneration of Manager of Corporate Services		
Annual Remuneration	215 269	251 782
Bonus	-	18 245
Car Allowance	52 000	60 000
Other Allowances	-	3 797
Contributions to UIF, Medical and Pension Funds	1 076	56 861
Total	268 345	390 685
Remuneration of Manager of Technical Services		
Annual Remuneration	269 927	248 940
Bonus	-	31 276
Car Allowance	68 808	60 102
Other Allowances	4 412	45 120
Contributions to UIF, Medical and Pension Funds	2 965	33 243
Total	346 112	418 681
20. REMUNERATION OF COUNCILLORS		
Mayor	363 831	103 286
Deputy Mayor	292 914	84 845
Councillors	2 884 015	809 504
Total	3 540 760	997 635

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
21. INTEREST PAID		
Annuity loans	<u>140 833</u>	<u>157 455</u>
22 BULK PURCHASES		
Electricity	<u>4 727 787</u>	<u>4 278 204</u>
23. CASH GENERATED BY OPERATIONS		
Surplus for the year	9 071 706	4 527 861
Prior year adjustments	-	1 356 196
Adjustment for: -		
Depreciation	1 664 376	1 551 557
Contribution to bad debts provision	365 585	827 739
Investment income	(1 796 302)	(1 160 471)
Investment income allocated to Reserves	899 126	-
Interest paid	140 833	157 455
Cash contributions from the public and state	10 000	-
Housing Development Fund	-	1 283
Operating surplus before working capital changes:	<u>10 355 324</u>	<u>7 261 620</u>
(Increase)/decrease in inventory	49 621	24 782
(Increase)/decrease in consumer debtors	(1 948 269)	(1 696 021)
(Increase)/decrease in other debtors	134 006	(1 330 962)
(Decrease)/increase in unspent conditional grants and receipts	2 053 969	1 081 822
Increase/(decrease) in creditors	1 903 771	(251 173)
(Increase)/decrease in VAT	(2 547)	(197 140)
Cash generated by(utilised in) operations	<u>12 545 875</u>	<u>4 892 928</u>
24. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank balance and cash	<u>1 325 281</u>	<u>1 328 215</u>

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
25. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>25.1 Contributions to organised local government</u>		
Opening balance	-	-
Council subscriptions	39 493	36 021
Amount paid - current year	(39 493)	(36 021)
Amount paid - previous years	-	-
Balance unpaid	0	0
<u>25.2 Audit fees</u>		
Opening balance	-	-
Current year audit invoices	521 728	562 355
Amount paid - current year	(521 728)	(562 355)
Amount paid - previous years	-	-
Balance unpaid	0	0
<u>25.3 VAT</u>		
VAT inputs receivables and VAT outputs payable are shown in note 6. All Vat returns have been submitted by the due date throughout the year.		
<u>25.4 PAYE and UIF</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	1 550 099	1 065 371
Amount paid - current year	(1 550 099)	(1 065 371)
Amount paid - previous years	-	-
Balance unpaid	0	0
<u>25.5 Pension and Medical Aid Deductions</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	2 343 613	2 245 228
Amount paid - current year	(2 343 613)	(2 245 228)
Amount paid - previous years	-	-
Balance unpaid	0	0

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
26. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
-Approved and contracted for	0	0
<i>Infrastructure</i>	0	0
<i>Community</i>	0	0
<i>Other</i>	0	0
-Approved but not yet contracted for	15 075 000	12 500 000
<i>Infrastructure</i>	9 750 000	5 950 000
<i>Community</i>	2 025 000	1 750 000
<i>Other</i>	3 300 000	4 800 000
Total	15 075 000	12 500 000
This expenditure will be financed from;		
-External Loans		0
-Capital Replacement Reserve	6 400 000	6 850 000
-Government Grants	8 675 000	5 650 000
-Own resources		0
Total	15 075 000	12 500 000
27. RETIREMENT BENEFIT INFORMATION		
The personnel are members of the Natal Joint Municipal Pension Funds.		
The following information has been provided in circulars dated 22 March 2007 in respect of service to 31 March 2006 :		
Surplus in respect of pensioners	Retirement Fund R 63,4 million	Superannuation Fund R 210,0 million
Deficit in respect of members	R(204,3)million	R(88,3)million
Percentage funded - in total	87,7%	104,3%
The Funds did not hold an investment reserve,		
The contributions have been expensed.		
28. CONTINGENT LIABILITY	-	-
29. AFFORESTATION		
The municipality's plantations are known as The Umuziwabantu Municipality Harding Afforestation Scheme. This Scheme has entered into an agreement with NCT Forestry Co-operative in terms of which the latter has taken over the management of the timber plantations owned by The Umuziwabantu Municipality Harding Afforestation Scheme. By agreement this function is now being performed by NCT Tree Farming (Pty) Ltd, a wholly owned subsidiary of the co-operative.		
In terms of this agreement NCT Tree Farming (Pty) Ltd is entitled to a profit share equal to 5% of the net profit generated by the forestry operations prior to the deduction of such fee.		
Further, NCT Tree Farming (Pty) Ltd is not entitled to any payment other than the recovery of direct costs should the forestry operation not make a profit, or if a loss is made in any year, nor is it liable for any losses other than in the case of NCT Tree Farming (Pty) Ltd's negligence in terms of the agreement.		
30. RELATED PARTY TRANSACTIONS		
Afforestation income :		
- Earned by the municipality	4 975 916	
- Earned by NCT Tree Farming (Pty) Ltd	164 804	

APPENDIX A

UMUZIWABANTU MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007

EXTERNAL LOANS	Redeemable	Interest Rate	Balance at 30.06.2006		Received during the year		Redeemed during the year		Balance at 30.06.2007		Carrying Value of Property, Plant and Equipment
			R		R		R		R		R
Development Bank of SA	31.12.2010	16,25%	267 208		-		(43 983)		223 225		
Development Bank of SA	30.06.2011	16,32%	283 874		-		(40 485)		243 389		
Development Bank of SA	30.06.2013	15,80%	343 661		-		(29 733)		313 928		
			894 743		0		(114 201)		780 542		744 673

UMUZIWABANTU MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost /Revaluation					Accumulated Depreciation				Carrying Value	Budget Additions 2007
	Opening Balance	Additions 2006/2007	Adjustments 2006/2007	Disposals 2006/2007	Closing Balance	Opening Balance	Depreciation 2006/2007	Disposals 2006/2007	Closing Balance		
Land and Buildings											
Land	17 633 000				17 633 000	-			-	17 633 000	-
Office	2 427 249	309 773			2 737 022	225 953	92 579		318 532	2 418 490	700 000
Workshop	275 302	188 000			463 302	27 650	20 680		48 330	414 972	500 000
Public toilets	56 376				56 376	20 786	1 873		22 659	33 717	-
Housing projects	3 386 129				3 386 129	2 006 347	112 871		2 119 218	1 266 911	-
	23 778 056	497 773			24 275 829	2 280 736	228 003		2 508 739	21 767 090	1 200 000
Infrastructure											
Roads, Streets, Taxi ranks	4 363 561	1 756 668			6 120 229	2 530 922	172 611		2 703 533	3 416 696	4 750 000
Electricity	9 319 037	326 550			9 645 587	2 542 813	297 253		2 840 066	6 805 521	1 200 000
	13 682 598	2 083 218	0	0	15 765 816	5 073 735	469 864	0	5 543 599	10 222 217	5 950 000
Community Assets											
Dump fencing	370 285				370 285	246 856	123 428		370 284	1	-
Cemetery fencing	17 112				17 112	17 112			17 112	0	-
Plantations and machinery	10 376 594		4 000 665		14 377 259	59 980	5 223		65 203	14 312 056	-
Sports Clubs	11 785				11 785	11 785			11 785	0	-
Library	1 798 361				1 798 361	187 029	59 939		246 968	1 551 393	350 000
Town hall	92 350	172 276			264 626	91 590	9 718		101 308	163 318	150 000
Clinic	463 072				463 072	169 793	15 436		185 229	277 843	-
Estates	223 454				223 454	107 638	6 668		114 306	109 148	-
Community buildings	3 009 838	124 898			3 134 736	255 715	100 369		356 084	2 778 652	1 000 000
	16 362 851	297 174	4 000 665	0	20 660 690	1 147 498	320 781	0	1 468 279	19 192 411	1 500 000
Other Assets											
Motor vehicles	2 823 101	278 350			3 101 451	1 265 716	290 581		1 556 297	1 545 154	1 600 000
Plant, machinery and equipment	2 408 062	361 666			2 769 728	655 597	243 113		898 710	1 871 018	1 000 000
Weapons	16 255	42 500			58 755	6 165	4 241		10 406	48 349	
Disaster management equipment	30 831				30 831	7 023	4 404		11 427	19 404	
Office equipment	944 475	212 950			1 157 425	515 056	143 223		658 279	499 146	300 000
Office furniture and fittings	580 121	242 401			822 522	241 419	73 037		314 456	508 066	
Dipping and grazing	308				308	308			308	0	-
	6 803 153	1 137 867	0	0	7 941 020	2 691 284	758 599	0	3 449 883	4 491 137	2 900 000
Non Capital items											950 000
Total Assets	60 626 658	4 016 032	4 000 665	0	68 643 355	11 193 253	1 777 247	0	12 970 500	55 672 855	12 500 000

UMUZIWABANTU MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
30 JUNE 2007

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions 2006/2007	Adjustments 2006/2007	Disposals 2006/2007	Closing Balance	Opening Balance	Additions 2006/2007	Disposals 2006/2007	Closing Balance	
Rate and General Service										
Administration	1 390 292	292 048			1 682 340	656 159	206 476		862 635	819 705
Afforestation	10 446 279		4 000 665		14 446 944	129 665	5 223		134 888	14 312 056
Clinic	571 226				571 226	247 859	25 411		273 270	297 956
Dipping and Grazing	308				308	308			308	0
Estates	223 454				223 454	107 638	6 668		114 306	109 148
Library	2 157 740	126 580			2 284 320	279 280	109 341		388 621	1 895 699
Parks and Gardens	111 728	70000			181 728	111 728	23 205		134 933	46 795
Public Health	1 614 452	440 516			2 054 968	870 577	238 484		1 109 061	945 907
Public Works	7 052 855	1 756 669			8 809 524	3 306 664	413 112		3 719 776	5 089 748
Municipal Buildings & Halls	5 581 528	643 670			6 225 198	612 996	206 030		819 026	5 406 172
Protection Services	249 678	42 500			292 178	80 606	35 033		115 639	176 539
Workshop	387 306	188 000			575 306	116 276	28 114		144 390	430 916
Land	17 633 000				17 633 000	0			0	17 633 000
	47 419 846	3 559 983	4 000 665	0	54 980 494	6 519 756	1 297 097	0	7 816 853	47 163 641
Electricity Service	9 820 683	456 049			10 276 732	2 667 149	367 279		3 034 428	7 242 304
Housing	3 386 129				3 386 129	2 006 348	112 871		2 119 219	1 266 910
TOTAL	60 626 658	4 016 032	4 000 665	0	68 643 355	11 193 253	1 777 247	0	12 970 500	55 672 855

UMUZIWABANTU MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2007

2006 Actual Income	2006 Actual Expenditure	2006 Surplus / (Deficit)	2006	2007	2007 Actual Income	2007 Actual Expenditure	2007 Surplus / (Deficit)
R	R	R			R	R	R
			RATE AND GENERAL SERVICE	RATE AND GENERAL SERVICE			
			Community Services	Executive and Council			
3 502 266	-	3 502 266	Assessment Rates	Council	4 355 359	4 345 100	10 259
4 610 677	7 467 590	(2 856 913)	Administration	Municipal Manager	710 470	606 841	103 629
-	1 830 376	(1 830 376)	Council		5 065 829	4 951 941	113 888
521 307	702 443	(181 136)	Clinic	Finance and Administration			
24 954	15 930	9 024	Estates General	Budget and Treasury Office	1 927 336	3 704 323	(1 776 987)
4 161	521 336	(517 175)	Library	Property Services	4 503 650	364 222	4 139 428
1 819 426	3 078 272	(1 258 846)	Public Works	Corporate Services	31 196	1 875 854	(1 844 658)
75 970	679 421	(603 451)	Municipal Buildings	Human Resources	-	180 741	(180 741)
-	272 720	(272 720)	Workshop	Information Technology	-	404 892	(404 892)
10 558 761	14 568 088	(4 009 327)			6 462 182	6 530 032	-67 850
			Subsidised Services	Health			
38 629	335 865	(297 236)	Cemetery	Clinic	1 010 035	771 878	238 157
348	73 888	(73 540)	Parks and Gardens				
6 629 340	1 146 977	5 482 363	Public Health - General	Community & Social Services			
1 648 565	1 057 472	591 093	Public Health - Refuse	Cemetery	285 551	334 219	(48 668)
8 316 882	2 614 202	5 702 680		Library	664 213	661 161	3 052
			Economic Services	Community Halls & Facilities	893 519	1 138 622	(245 103)
1 444 672	5 223	1 439 449	Afforestation		1 843 283	2 134 002	(290 719)
-	-	-	Licensing	Planning and Development			
904 678	907 521	(2 843)	Traffic Control	Technical Services	953 744	887 837	65 907
2 349 350	912 744	1 436 606		Tourism	88 152	144 860	(56 708)
					1 041 896	1 032 697	9 199
				Disaster Management			
					124 160	103 484	20 676
				Road Transport			
				Roads	3 311 783	2 930 739	381 044
				Vehicle Licensing & Testing	949 508	1 396 180	(446 672)
					4 261 291	4 326 919	(65 628)
				Sport and Recreation			
				Parks & Gardens	338 368	326 831	11 537
				Sports Grounds & Stadiums	2 337	8 650	(6 313)
					340 705	335 481	5 224
				Other			
				Forestry	5 029 850	5 223	5 024 627
				Workshop	-	86 010	(86 010)
					5 029 850	91 233	4 938 617
21 224 993	18 095 034	3 129 959	Total Rate and General Service	Total Rate and General Service	25 179 231	20 277 667	4 901 564
			TRADING SERVICE	TRADING SERVICE			
10 674 363	10 489 833	184 530	Electricity	Electricity	10 249 672	7 773 888	2 475 784
			HOUSING SERVICE	HOUSING SERVICE			
-	-	-	Housing Schemes	Housing Schemes	-	-	-
				WASTE MANAGEMENT			
				Solid Waste	2 191 287	2 497 885	(306 598)
				GRANTS			
1 213 372		1 213 372		Housing projects	11 535 830	11 535 830	-
				Capital grants	2 000 956	-	2 000 956
33 112 728	28 584 867	4 527 861	TOTAL	TOTAL	51 156 976	42 085 270	9 071 706

**UMUZIWABANTU MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
FOR THE YEAR ENDED 30 JUNE 2007**

	2007 Actual	2007 Budget	2007 Variance		Explanation of Significant Variances greater than 10%
	R	R	R	%	
REVENUE					
Property rates	3 534 696	3 635 000	(100 304)	(2.8)	Not applicable
Property rates-penalties and charges	810 079	750 000	60 079	8.0	Not applicable
Service charges	7 952 800	7 269 450	683 350	9.4	Not applicable
Rental on facilities and equipment	123 652	167 000	(43 348)	(26.0)	Income over-budgeted
Interest earned-external investments	897 177	1 080 000	(182 823)	(16.9)	Budget did not take into account interest allocations to Reserves
Fines	51 343	251 200	(199 857)	(79.6)	Income over-budgeted
Licences and permits	900 808	1 350 000	(449 192)	(33.3)	Income over-budgeted
Government grants and subsidies	29 718 281	20 613 100	9 105 181	44.2	Budget was not prepared in the same format as these financial statements
Capital grants	2 000 956	-	2 000 956	100.0	Budget was not prepared in the same format as these financial statements
Other Income	5 167 184	324 250	4 842 934	1 493.6	Such a large afforestation income was not budgeted for
Total Revenue	<u>51 156 976</u>	<u>35 440 000</u>			
EXPENDITURE					
Employee related costs	11 100 667	12 287 600	1 186 933	9.7	Not applicable
Remuneration of Councillors	3 540 760	4 514 900	974 140	21.6	Expenditure over-budgeted
Bad debts	365 585	6 000	(359 585)	(5 993.1)	Bad debt provisions increased more than budgeted for
Depreciation	1 664 376	1 596 300	(68 076)	(4.3)	Not applicable
Repairs and maintenance	2 056 131	2 776 500	720 369	25.9	Cost savings achieved
Interest paid	140 833	258 000	117 167	45.4	Expenditure over-budgeted
Bulk purchases	4 727 787	4 753 000	25 213	0.5	Not applicable
Contracted services	1 559 728	1 990 000	430 272	21.6	Cost savings achieved
Grants paid	-	-	-	-	Not applicable
General expenses	5 393 573	7 257 700	1 864 127	25.7	Cost savings achieved
Housing Projects expenditure	11 535 830	-	(11 535 830)	(100.0)	Budget was not prepared in the same format as these financial statements
Total Expenditure	<u>42 085 270</u>	<u>35 440 000</u>			
SURPLUS FOR THE YEAR	<u>9 071 706</u>	<u>-</u>			

APPENDIX E (2)

UMUZIWABANTU MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
FOR THE YEAR ENDED 30 JUNE 2007

	2007 Actual	2007 Budget	2007 Variance Amount	%	Explanation of Significant Variances greater than 5 %
	R	R	R		
Land and Buildings					
Guard Houses		150 000	150 000	100	Construction delayed
Office security fencing	309 773	500 000	190 227	38	Office and Library fencing were combined in the budget
Workshop security fencing	188 000	500 000	312 000	62	Only one workshop was fenced
	497 773	1 150 000	652 227		
Infrastructure					
Roads upgrade	1 756 668	4 750 000	2 993 332	63	Expenditure subject to a service level agreement with UGU District Municipality
Electricity	326 550	1 400 000	1 073 450	77	Upgrade delayed due to road construction
	2 083 218	6 150 000	4 066 782		
Community Assets					
Town hall	172 276	150 000	(22 276)	(15)	Over-expenditure not material
Honey production	124 898	800 000	675 102	84	Only the fencing has been completed thus far
Community Facilities : Furniture and equipment		200 000	200 000	100	No purchases made
	297 174	1 150 000	852 826		
Other Assets					
Motor vehicles	278 350	1 600 000	1 321 650	83	Fire fighting truck was not purchased
Plant, machinery and equipment	404 166	1 000 000	595 834	60	Pneumatic roller not purchased
Office furniture and equipment	455 351	500 000	44 649	9	Office and Library were combined in the budget
	1 137 867	3 100 000	1 962 133		
Non Capital items	-	950 000	950 000	100	Violence-damaged houses were not repaired
Total Assets	4 016 032	12 500 000	8 483 968		

**UMUZIWABANTU MUNICIPALITY: DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT
YEAR ENDED 30 JUNE 2007**

Name of Grant	Name of organ of state or municipal entity	Unspent at 30.06.2006 R	Received 2007 R	Expended 2007 R	Unspent 30.06.2007 R
Equitable Share	National	1 629 522	16 438 973	(16 438 973)	1 629 522
Donsibhodwe	Province of KZN	-	150 000	(140 000)	10 000
Planning Capacity	Province of KZN	-	200 000	(96 867)	103 133
IS Support	Province of KZN	-	200 000		200 000
Violence Damage	Province of KZN	956 683			956 683
Tourism Plan	Province of KZN	66 686			66 686
Stormwater Culvert	Province of KZN	42 643			42 643
CMIP	Province of KZN	28 435		(9 180)	19 255
Management Assistance Programme	Province of KZN	780 279	500 000	(388 154)	892 125
KZNPA - Management audit	Province of KZN	134 572			134 572
KZNPA - Metering	Province of KZN	102 812		(102 812)	-
KZNPA - Administration Facilities	Province of KZN	34 497		(16 578)	17 919
LUMS	Province of KZN	73 000			73 000
Municipal Buildings	Province of KZN	-			-
Integrated Development Plan	Province of KZN	100 000	45 000	(2 331)	142 669
Library	Province of KZN	79 793			79 793
Poultry Project	Province of KZN	5 984			5 984
Honey Production	Province of KZN	800 000		(128 498)	671 502
Property Rates Act	Province of KZN	217 066	100 000	(64 595)	252 471
Inter Department Monitoring	Province of KZN	39 157			39 157
Management Finance Support	Province of KZN	115 462	500 000	(123 144)	492 318
PMS	Province of KZN	131 807	45 000	(15 975)	160 832
MFMA Implementation	National Treasury	20 656		(20 656)	-
Kwa Fodo Housing	Province of KZN	340 580	10 507 715	(10 848 295)	-
Home Owners Ploughing	UGU District Municipality	3 530			3 530
Municipal Housing Plan	Province of KZN	125		(125)	-
Nhlangano Kwa Jali Housing	Province of KZN	176 510	393 175	(569 685)	-
Kwadumisa Housing	Province of KZN	-	117 849	(117 849)	-
Community Development Workers	Province of KZN	56 060		(56 060)	-
LED Support	UGU District Municipality	75 000			75 000
Community Participation	UGU District Municipality	50 000		(50 000)	-
Clean Up Campaign	UGU District Municipality	-	178 797	(178 797)	-
Youth	Province of KZN	-	30 000	(27 299)	2 701
REDS	Province of KZN	-	150 000		150 000
Municipal Infrastructure	Province of KZN	275 000	3 650 000	(1 756 668)	2 168 332
		<u>4 706 337</u>	<u>16 767 536</u>	<u>(14 713 568)</u>	<u>6 760 305</u>
		6 335 859	33 206 509	(31 152 541)	8 389 827

NOTES

1.No grants were delayed or withheld

2.Conditions in terms of the Division of Revenue Act were complied with in all instances